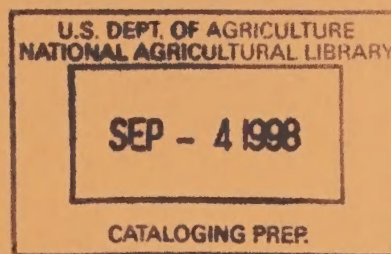


Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

Reserve
aHD1761
.F67
1970



--

ECONOMIC RESEARCH SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

CURRENT PROGRAM
and
PROGRESS REPORT

of the

FOREIGN DEVELOPMENT AND TRADE DIVISION

Fiscal Year 1970

United States
Department of
Agriculture



National Agricultural Library

PREFACE

This progress report is primarily a tool for use of scientists and administrators in program coordination, development and evaluation. The summaries of progress include some tentative results that have not been tested sufficiently to justify general release. Such findings, when adequately confirmed, will be released promptly through established channels. Because of this, the report is not intended for publication and should not be referred to in literature citations. Copies are distributed only to members of Department staff and others having a special interest in the development of public agricultural research programs.

This progress report was compiled in the Foreign Development and Trade Division, Economic Research Service, U.S. Department of Agriculture, Washington, D.C. 20250.

November 1970

TABLE OF CONTENTS

	<u>Page</u>
Introduction	1
I. Trade Statistics and Analysis	3
II. International Monetary Conditions	9
III. Trade Policies and Demand Relationships	12
IV. Foreign Agricultural Development	16
V. Agricultural Productivity in Developing Countries	20
VI. Demand for Agricultural Exports of Developing Countries	22
VII. P.L. 480 Research Grants	26
VIII. Foreign Training and Technical Assistance	29

INTRODUCTION

The Division carries out a broad program of economic and statistical research and service work relating to the following: (1) U.S. and world trade in farm products, (2) monetary and financial conditions in foreign countries affecting exports and imports of farm products, (3) effects of the evolving policies of regional economic and trade associations and other developments affecting export demand for farm products, (4) economic effects of present and proposed Food-for-Peace programs and market development, and (5) effects of economic development of foreign countries on U.S. and world trade in farm products.

The work of the Division is organized in three branches and a Foreign Programs Group in the Office of the Director.

The Foreign Programs Group directs and coordinates (1) economic research and technical assistance activities of ERS personnel stationed in foreign countries under participating agency service agreements (PASA's) with the Agency for International Development (AID), (2) foreign training activities of ERS and SRS, and (3) research grant programs under P.L. 480 in cooperation with ARS.

The Trade Statistics and Analysis Branch coordinates the development of U.S. and foreign agricultural trade statistics in the Department. It has responsibility for acquiring, interpreting, and publishing U.S. and world agricultural trade statistics including U.S. exports under Government-financed programs. It analyzes developments affecting agricultural trade and provides agricultural producers, trade groups, and others with world outlook information on international trade in farm commodities.

The International Monetary and Trade Research Branch conducts (1) monetary research covering general world monetary conditions, external financial positions of individual countries to develop recommendations on financial terms for P.L. 480 transactions, and agriculture's contribution to the balance of payments, and (2) trade research on the effects of special economic and trade arrangements, agricultural and trade policies, foreign production-utilization developments (particularly in the feed-livestock sectors) and market structure on U.S. agricultural trade and U.S. export programs.

The Economic Development Branch conducts research relating to economic development of foreign countries including analysis of economic development processes, the effects of agricultural development and general development on trade in farm and other products, relation of rural institutions to rural development and trade and interrelationships between agricultural and national economic development. It analyzes effects of economic development in foreign countries on U.S. and world agricultural trade.

The staff of the Division during FY-1970 was distributed among organizational units as follows:

	<u>Professional</u>	<u>Clerical</u>
Office of Director (OD)	3	5
Foreign Programs Group (FPG)	16	1
Trade Statistics and Analysis (TSAB)	10	12
International Monetary and Trade Research (IMTRB)	6	4
Economic Development (EDB)	<u>10</u>	<u>6</u>
Total	45	28

Eleven of the 16 professional staff members of the Foreign Programs Group were located abroad on technical assistance assignments. Administrative personnel are included under clerical in the Office of the Director.

This report describes the work of the Division in 8 areas as follows:

1. Trade Statistics and Analysis
2. International Monetary Conditions
3. Trade Policies and Demand Relationships
4. Foreign Agricultural Development
5. Agricultural Productivity in Developing Countries
6. Demand for Agricultural Exports of Developing Countries
7. P.L. 480 Research Grants
8. Foreign Training and Technical Assistance

Work in areas 1, 2, 3, and 4 is financed by direct appropriations. A large share of these resources are devoted to service activities to meet requests from the Office of the Secretary, the Foreign Agricultural Service, Export Marketing Service, and other agencies. Current information is supplied on changes in agricultural trade of the United States and competing countries,

financial conditions of foreign countries which may affect commercial agricultural exports from the United States and terms of concessional agricultural exports, and economic effects of changing agricultural and trade policies of foreign countries on United States agricultural exports.

The trade research program of the Division, especially area 3, is supplemented by research projects carried out under contracts and financed under the market development program of the Foreign Agricultural Service. However, the Division provides the staff, supported from regular funds, for planning and supervising these contract research projects.

Area 5 is the research project, "Factors Associated with Changes and Differences in Agricultural Production in Underdeveloped Countries", conducted by EDB under a research PASA with the Agency for International Development.

Area 6 is the research project, "Demand Prospects for Agricultural Exports of Developing Countries", being carried out in cooperation with the Foreign Regional Analysis Division under a research PASA with the Agency for International Development. Staff members in the three branches are working on this project.

Area 7 includes all of the economic research conducted under the P.L. 480 research grant program administered by the Agricultural Research Service.

Area 8 includes foreign training and technical assistance work carried out in cooperation with the Foreign Economic Development Service and the Agency for International Development.

I. TRADE STATISTICS AND ANALYSIS

A. Objectives

Work in this area provides current information on U.S. and world agricultural exports and imports; statistics on Government-financed (including Food-for-Peace) exports; analyses of current trade problems, developments, and trends affecting U.S. agricultural exports and imports; and analyses of outlook prospects for U.S. agricultural exports and imports.

The Division's responsibility for U.S. agricultural trade statistics is carried out in this area of work. Current information relating to foreign agricultural trade is made available for use in ERS, FAS, EMS, and other Government agencies in carrying out export policies and programs. It is widely used by private firms, trade groups, and others concerned with expanding trade in agricultural products.

Specific objectives include: (1) assembly of current agricultural export and import statistics by commodities and by countries on a monthly, quarterly, and annual basis; (2) short-term projections or estimates of agricultural exports and imports; (3) assembly of agricultural export and import trade statistics on

a world basis, and for the major regional trade associations or groups such as EEC, EFTA, CACM, and COMECON; (4) compilation and analysis of agricultural commodity prices in world markets; and (5) assembly and analysis of quarterly and annual statistics of commodity exports under Government-financed export programs, such as P.L. 480.

B. Progress

Current statistics on U.S. and world agricultural trade and analysis of developments affecting agricultural exports and imports were published in the monthly and annual reports of Foreign Agricultural Trade of the United States (FATUS). Special reports or articles issued during the year included the following:

1. U.S. Agricultural Trade.--Analyses and reports of trade data were published in special articles, highlights, and supplemental reports identifying the reasons for changes in the magnitude and outlook for both U.S. agricultural exports and imports. These analyses were made in a regional and a commodity framework. Special articles were prepared on the impact of the European Community's Common Agricultural Policy on U.S. agricultural exports. Analyses were made on the U.S. agricultural trade with EFTA, LAFTA, CACM, and COMECON. Special articles analyzed the effects of ocean freight rates, transportation facilities, commodity transshipments, and competition from other major suppliers on U.S. agricultural exports. In fiscal year 1970, record commercial sales for dollars pushed total agricultural exports past the \$6.6 billion mark -- the third best showing to date -- from the \$5.7 billion level in 1968/69. Soybeans and products and feed grains contributed two-thirds of the overall gain. Commercial sales for dollars advanced to a record \$5.7 billion -- up sharply from \$4.7 billion in 1968/69. The previous record was \$5.5 billion in 1966/67. U.S. exports of farm products to Japan leaped 30 percent to \$1,084 million -- the first time that exports to a single country surpassed the billion dollar level. Although total agricultural exports to the European Community gained slightly, those subject to the EC's variable levies fell by 13 percent reflecting the detrimental effect of these barriers on certain U.S. commodities. High prices and increased per capita income were the principal reasons for the 11-percent increase in agricultural imports in fiscal year 1970. Larger purchases of meat, cattle, sugar, and certain vegetables accounted for most of the expansion in imports of supplementary (partially competitive) products.

Estimates of agricultural exports by States and regions were developed to show the stake that each State and region has in the agricultural export market. In 1969/70, 12 States each exported more than \$200 million worth. Nine other States each had farm exports of between \$100 and \$200 million. Illinois was the top exporting State with a total \$650 million. California was runner-up with \$556 million. Because of increased demand for the State export shares, their estimates are scheduled to be published annually instead of biennially as in the past.

2. World Agricultural Trade Data.--Reports were published indicating the U.S. share by commodities and by major regional trading groups. For example, in 1969, EC agricultural imports of \$15.2 billion were up 12 percent from

\$13.1 billion of the previous year. The U.S. share of EC agricultural imports was \$1,495 million in 1969, down slightly from 1968's \$1,542 million. Meanwhile, intra-EC farm imports rose sharply to \$5.4 billion from \$4.2 billion.

- a. Articles providing statistical summaries together with brief analyses of their agricultural trade were published for EC and the United Kingdom. The EC statistics for calendar years 1968 and 1969 reported trade data by commodity groups for individual EC member countries by origin and destination. The United Kingdom article summarized 1960-69 farm imports by origin, 1957-69 agricultural imports by commodity, and 1956-69 U.S. exports of principal agricultural products to the United Kingdom.
 - b. Agricultural trade statistics for 1964-67 (the latest available from these countries) for 11 Asian countries were published with brief analyses emphasizing changes and trends, as well as the U.S. share of the total. Trade data for 1966-68 were published with similar brief analyses for 23 selected countries.
 - c. Agricultural trade data for 58 countries were prepared by the U.N. Statistical Center (under contract). OECD magnetic tapes were obtained through a cooperative arrangement with the Federal Reserve Board to continue the agricultural trade statistics series for the 22 OECD countries.
3. World Agricultural Prices.--Reports and analyses on world prices, started in 1968, were expanded during the year. Lower wheat prices reflected the abandonment of the International Grain Arrangement floors. Corn and soybean prices rose substantially during the year. U.S. agricultural trade prices also climbed, with import prices rising more than export prices. Thus, the terms of trade continued to deteriorate. A study on grain price formation and grain price reporting in Italy was published. This report shows that there is a tendency for grain prices in Italy to exceed the price level that the European Community itself has considered desirable as a theoretical maximum. The study also analyzes imperfections and limitations of Italian grain price statistics.
4. Exports under Government-financed Programs.--Statistical reports and analyses on Government-financed exports were published for both concessional (food aid) and commercial exports, by commodity and country for fiscal and calendar years. Although long-term credit sales under P.L. 480 reached a record, progress toward the goal of dollar financing reduced sales for foreign currency and with a decline in foreign donations, brought Government-financed exports to just under \$1.0 billion -- the smallest total since the first full year of P.L. 480 in 1956. A report was published showing the extent of export payment assistance for 1968/69. In that year, only 12 percent of U.S. agricultural exports received export payments compared with 22 percent a year earlier. Total export payments were reduced to \$63 million in 1968/69, from \$107 million a year earlier. A similar report will be published for 1969/70. Commodity-by-country reports showing commercial and Government-financed exports were published for wheat, feed grains, and soybeans and products for 1968/69 for the first time.

5. Transshipment Statistics.--Data were published showing annual estimates of U.S. agricultural exports moving through Canada, the Netherlands, Belgium, and West Germany. These data on quantity and value by commodity and country of ultimate destination now make possible much needed adjustments in published U.S. Census Bureau trade statistics. These transshipment data were published in Foreign Agricultural Trade of the United States. In addition, the U.S. Census Bureau began publishing for the first time the transshipment data for Canada in its "Explanatory Notes" to Report FT 410 in January 1970.

Substantial progress was made during the year in automating the processing of U.S. foreign agricultural trade data. Automatic data processing, initiated last year, of the annual U.S. agricultural trade data was completed and for the first time was published directly from photocopies prepared by the computer. Three separate publications were issued, giving U.S. agricultural exports and imports for each country of origin and destination (calendar years 1968 and 1969 and fiscal year 1969). Work has begun on automating the commodity distribution of U.S. agricultural trade and will be included for the first time in one publication, giving trade by countries with the publication of fiscal year 1970 data in January 1971. The automation of data processing has greatly reduced the overall clerical, statistical, and professional workload of the Branch. Other benefits of ADP include the ability to present more trade data in greater detail as well as increasing the timeliness of publication, thereby increasing the overall usefulness of the data.

C. Major Service-type Activities

Trade and other statistical data were furnished for inclusion in the President's Report to Congress on the operation of P.L. 480, the Handbook of Agricultural Charts, Agricultural Statistics, the Statistical Abstract of the United States, Agricultural Situation, Farm Index, Foreign Agriculture, and in various publications of the international organizations. Export outlook statements were presented at the annual national agricultural outlook conferences. An article entitled "U.S. Foreign Trade is Vital to Our Farmers and to Our Economy" was written for the 1970 Yearbook of Agriculture.

Other service functions requiring considerable amount of time and effort were performed in providing on a continuing basis statistical information on world and U.S. agricultural trade for the Office of the Administrators of ERS, EMS, FAS, and the Office of the Secretary. Information was supplied also for the preparation of Congressional requests as well as requests of the public. Material on the agricultural trade of specific countries was supplied for the Secretary's briefing for discussions with Ambassadors, Congressmen, and Ministers of foreign governments, as well as the Secretary's press conferences. Periodic reports on the current situation and outlook for U.S. agricultural exports and imports were made at the FAS staff conferences.

D. Future Plans

Complete automation of U.S. and world agricultural trade statistics should be accomplished as soon as possible. This is necessary because of the volume of data to be processed and the need to disseminate these data in published reports on a timely basis. As world and U.S. agricultural trade expands, the volume of trade data to be assembled, tabulated, and summarized will become too large for present methods of processing. Complete automation will make possible improvement in the effectiveness and timeliness of providing outlook information on U.S. and world agricultural trade. Automation will also increase the timeliness and breadth of coverage of United States and world agricultural trade as well as relieve the pressure on limited statistical and clerical personnel. Complete automation might result in a savings in clerical manpower of about one-half the present level. This savings will be offset in part by the addition of professional manpower to analyze the data and prepare the monthly publications.

Top priority will be given at first to automation of U.S. and world agricultural trade statistics on an annual basis. The next objective will be to automate the monthly and quarterly trade data. This should be undertaken as soon as possible. After these have been accomplished, the third objective of expanding the research functions will be undertaken to provide more indepth analyses of the forces affecting U.S. and world agricultural trade and emerging world trade problems as resources become available.

In 1969/70, ERS spent \$63,360 on purchase, processing, and publishing U.S. agricultural trade statistics. It is estimated that about \$85,750 will be needed in 1970/71 and \$355,000 during 1972-75 to complete the automation of U.S. agricultural trade.

Since 1963, ERS has spent \$119,736 on data tapes, data printouts, and data processing for world agricultural trade. Approximately \$244,000 will be needed during 1972-75 to achieve a more adequate program in world trade statistics. Some reductions in these estimated amounts can be achieved if the purchase of the United Nations agricultural trade tapes can be made and substituted for the OECD tapes. Currently, we are able to purchase only a machine printout from the U.N. Consultations have been held with U.N. officials and they have indicated a willingness to sell these tapes in the future if the USDA decides to purchase them.

Under the proposed automation program for world agricultural trade statistics, it will be possible to produce historical series of agricultural trade for as many as 50 major commodities for some 65-70 countries, accounting for 85-90 percent of free world trade in agricultural products. Currently, information on world trade in agricultural products is provided by FAO on a commodity-by-country basis only. Information on a world basis showing the country of origin and destination of agricultural products by value and quantity is not now available. This information is needed for analysis of international trade flows and patterns of trade and would be provided under the proposed automated program. The estimated additional manpower and associated costs required to carry out a more effective program in world trade analysis are additional to the estimated costs of automatic data processing shown above.

No major changes are contemplated in objectives. However, changes in the relative emphasis and expansion in processing world agricultural trade data are contemplated. For example, the development and publication of a new historical series on world trade data and trading patterns is planned as a companion to FATUS. It is proposed that this publication be on an annual basis at first and later on a quarterly basis. The development of such a publication would accomplish two things: (1) reduce the size of FATUS, which has tended to get increasingly larger as more world trade data and articles are included, and (2) provide more effective dissemination of world agricultural trade data on a regular basis -- thereby filling a void not currently being met by the United Nations, FAO, OECD, or the USDA. In addition, such efforts will make possible the development of a larger world agricultural trade analysis group in ERS and USDA to keep the Department better informed on major trade developments and emerging issues.

E. Publications

DeBlois, Eleanor N., "Export-Payment Assistance to U.S. Agricultural Exports Declined Sharply in Fiscal Year 1969," FATUS, March 1970.

DeBlois, Eleanor N., "Commercial and Food-for-Peace Exports of U.S. Farm Products Equally Share Decline in Fiscal Year 1969," FATUS, Nov. 1969.

Warden, Thomas A., "U.S. Agricultural Imports Down 1 Percent in 1969," FATUS, Feb. 1970.

Corley, Joseph R., "Agricultural Trade of the Common Market: Calendar Year 1968," FATUS, Sept. 1969.

Libbin, Susan A., "Smaller U.S. Share of U.K. Market for Principal Agricultural Commodities," FATUS, June 1970.

Corley, Joseph R., "U.S. Agricultural Trade By Air Carrier Up 18 Percent in 1968," FATUS, Oct. 1969.

Rahe, Dewain H., and Corley, Joseph R., "U.S. Exports of Farm Products Are Expected to Rise in Fiscal Year 1970," FATUS, Dec. 1970.

Rahe, Dewain H., "U.S. Agricultural Exports to the European Community Dropped Further in Calendar Year 1969," FATUS, March 1970.

Corley, Joseph R., "U.S. Exports Down 5 Percent in 1969," FATUS, Feb. 1970.

F. Work Units

FDT 4-1-54-00 Analysis of U.S. agricultural trade.

FDT 4-2-54-00 Analyses and development of world agricultural trade data.

FDT 4-3-54-00	Exports under food aid (Government-financed) programs.
FDT 4-4-54-00	Analysis of world agricultural prices.
FDT 4-6-54-00	Economic impact of synthetic products on U.S. and world agricultural trade.

II. INTERNATIONAL MONETARY CONDITIONS

A. Objectives

The work in this area is concerned with analysis of international monetary developments, their relationship with agricultural trade and their impact on programs of the Department of Agriculture. As part of this responsibility, personnel perform a liaison function with other agencies on matters of interest to the Department that involve international monetary considerations.

Much of the effort is devoted to providing financial analyses needed in administering the Public Law 480 program. An analysis is made of the external financial positions of countries that are under consideration for a P.L. 480 program. A report is prepared on each country which includes recommendations on the financial terms that are appropriate. The objective is to determine the best possible terms from the U.S. point of view consistent with the financial position of the recipient country. The analyst participates in discussions to formulate the USDA position on each proposal and in subsequent inter-agency meetings to develop the overall U.S. Government position in each P.L. 480 request. Financial analyses are also prepared for countries in connection with the Export Credit Sales Program.

Financial developments and trends in the developed nations of the world are closely followed since these countries are the major purchasers of our commercial agricultural exports. Currency crises, changes in interest rates, and exchange rate adjustments have the potential for slowing or diverting trade. Reports are prepared periodically analyzing changes in the international monetary situation and the financial status of foreign markets for U.S. farm commodities. Closely related to this is the measurement of agriculture's contribution to the balance of payments. This requires detailed research within the conceptual framework of the balance of payments accounts.

B. Progress

Trends in world trade and reserves during fiscal and calendar 1969 were appraised in two issues of Foreign Gold and Exchange Reserves. Developed and less-developed countries were covered in the reports. Progress in the creation of Special Drawing Rights was reported upon as was the downward movement of the price of gold in the latter part of 1969. Also during the latter part of 1969, France devalued its franc and Germany revalued its mark. These changes brought about several difficulties because of the Community's adoption of the unit of

account and other regulations under the Common Agricultural Policy. Other correctives were applied, such as exchange controls and changes in border tax rates. These events were followed closely, reported, and analyzed by specialists in this area.

A report on the role of regional development banks in agricultural finance was published in Foreign Gold and Exchange Reserves. It surveys the aims, sources of funds and history of various institutions and lists their member countries. Specifics are given on the amount of lendings by these banks that have been directed to the agricultural sector of member countries.

Quarterly reports were prepared on the contribution of U.S. agricultural trade to the balance of payments. Total, agricultural, and nonagricultural exports and imports were analyzed on a balance-of-payments basis and a commercial and noncommercial breakout of exports was given. Noncommercial agricultural exports were summarized by program. The dollar returns to the balance of payments from noncommercial agricultural exports have been derived by source or type of return -- credit repayments by program, including P.L. 480, and local currencies used abroad in lieu of dollars. The series, which begin with 1960, were updated through 1969 on an annual basis while the quarterly series run through the first quarter of 1970. An article was prepared discussing the relationship between U.S. agricultural exports and the international monetary system. This article summarized the contribution of U.S. farm exports to the balance of payments during the 1960's and reviewed the major crises in the international monetary system during this decade.

During FY-1970, the external financial position of 29 countries under consideration for P.L. 480 programs was analyzed and financial terms were recommended for proposed agreements. These recommendations were presented by a Division representative at the USDA position meetings conducted by EMS. A Division representative also participated in the weekly meetings of the Interagency Staff Committee on P.L. 480 (ISC).

The Division represented the Department at the staff level of the National Advisory Council on International Monetary and Financial Policy (NAC). The NAC is charged with the responsibility of coordinating the international monetary policy of the United States, especially as it concerns foreign dollar loans and grants. The staff committee meets weekly to review loan proposals and policy questions. The representative from the International Monetary and Trade Research Branch presented and discussed 34 proposed P.L. 480 credit agreements to the NAC for review. Proposed lines of credit by the CCC under the Export Credit Sales Program are also presented to the NAC for review in addition to certain other policy questions that arose from time to time.

Many items brought before the NAC by other agencies are of interest to the Department. The Division representative discusses these with appropriate USDA personnel and assists in developing and presenting a Department position when such action is considered to be warranted. Most often these items are agricultural development loans being made by one of the international lending organizations. (These come before the NAC since it instructs the U.S. delegates to these institutions how to vote.)

A Division staff member was chairman of an interdepartmental committee which prepared the U.S. position paper on the FAO Program of Work and Budget for 1970-71 as it relates to "Earning and Saving Foreign Exchange." This is one of five areas in which the FAO is concentrating its efforts during the present biennium.

C. Major Service-type Activities

Most of the work in the international monetary area is a combination of research and service activity, so the latter is incorporated in the discussion of progress above.

D. Future Plans

The quarterly reports on agriculture's contribution to the balance of payments and the semiannual publication of Foreign Gold and Exchange Reserves will continue to be done.

The service work in connection with P.L. 480 and NAC representation is expected to continue with perhaps some increase in the amount of time and research devoted to it. A request has been received from Foreign Economic Development Service to bring to their attention loans by international agencies which might be for machinery or projects which would unnecessarily displace jobs and thus create unemployment problems. The Export Marketing Service has requested that attention be given to drawings from the IMF by countries that are in their second or greater tranche position. EMS would like to be aware of any credit restrictions placed on a country by the IMF that would impede the United States' export credit program.

Preparation was nearly completed in FY-1970 on a publication entitled P.L. 480 Concessional Sales, History, Procedures, Negotiating, and Implementing Agreements. This report will update a 1964 report that was well received.

Efforts will begin in FY-1971 on a study of the effects on U.S. farm exports of a devaluation or a revaluation of a foreign country's currency. Countries that made a change during the 1960's will be included in the study.

Consideration is being given to a report on the financial and other procedures related to CCC Export Credit Sales Program and the Barter Program. These reports would parallel the style, coverage, and format of the report on the financial procedures under P.L. 480. Thus they would include a discussion of (1) the origin and history of these programs, (2) a non-technical step-by-step explanation of the financial and other procedures, and (3) the magnitude and effects of these operations.

Exploratory work will be done to see if it is feasible to develop a research project to provide information on the implications on U.S. agricultural trade of possible major changes in the present international monetary system. Present proposals include the adoption of (1) a crawling peg, (2) wider bands around par values, and (3) periodic floating of an exchange rate, one country at a time.

Also being investigated for its feasibility is a study of the role of credit in international agricultural trade. There appears to be an opportunity to develop information that would be useful in administering the Department's export credit sales program.

E. Publications

Santmyer, Carolee, "Reserves, Trade and Economic Growth," Foreign Gold and Exchange Reserves, No. 7, Nov. 1969.

Santmyer, Carolee, "Reserves, Trade and Economic Growth," Foreign Gold and Exchange Reserves, No. 8, May 1970.

Goolsby, O. Halbert, "U.S. Agriculture Strengthens Dollar During 1960's," Foreign Agriculture, June 22, 1970.

Jolemore, Gabrielle R. and Kruer, George R., "The Role of Regional Development Institutions in Agricultural Finance," Foreign Gold and Exchange Reserves, No. 7, Nov. 1969.

Kruer, G.R., "U.S. Agriculture and the Balance of Payments," Foreign Gold and Exchange Reserves, No. 7, Nov. 1969.

Goolsby, O. Halbert, "U.S. Agriculture and the Balance of Payments," Foreign Gold and Exchange Reserves, No. 8, May 1970.

Kruer, G.R., "German Revaluation Deals EC Farm Policy a Second Blow," Foreign Agriculture, Oct. 27, 1969.

F. Work Units

FDT 3-1-54-00 Agricultural development banks and credit programs.

FDT 3-2-54-00 The contribution of U.S. agricultural trade, including
P.L. 480 transactions, to balance of payments.

FDT 3-3-54-00 External financial developments abroad including those
of P.L. 480 recipient countries.

III. TRADE POLICIES AND DEMAND RELATIONSHIPS

A. Objectives

Research in this area is concerned with developing new and improved information on the future prospects for U.S. agricultural exports by evaluating policy and economic variables that affect production, consumption, and trade in agricultural products in foreign countries. One aspect is the assessment of the impact of trade barriers on world agricultural trade and particularly on U.S. exports.

Studies are oriented to evaluating the economic effects of joint policy actions abroad relative to regional economic integration and/or by regional trade groups of countries on prices, production, and consumption of agricultural products, and on U.S. agricultural trade. In recent years, the emphasis has been on investigations of the relevant economic variables and agricultural and other economic policies as they interact to affect developments in the grain-livestock economy of the European Community, with particular reference to the impact on the import demand for grains and oilseeds.

B. Progress

Studies completed and underway by Division personnel and by outside research institutions under contract contribute toward the achievement of the objectives.

A report on the Common Agricultural Policy (CAP) of the European Community (EC) was published in FY-1970. It reviews the basic characteristics of the CAP for products of export interest to the U.S. (wheat, coarse grains, rice, oilseeds and oilseed products, poultry and eggs, beef, pork, dairy products, and fruits and vegetables); discusses price, production and consumption trends; analyzes trade flows from the U.S. to the EC, EC to nonmember countries, and between nonmember countries; and examines some of the recent and probable future problem areas in U.S.-EC trade relations.

A report was published on the cost of the CAP to taxpayers and consumers of the Common Market. Budgetary expenditures were estimated at \$8.0 billion and excessive food costs at \$6.4 billion, bringing the total costs to \$14.4 billion. A subsequent, more detailed, study done in the Community by other economists for FAS and the Feed Grains Council corroborated the estimates presented in the report.

The world demand for feed grains and import policies of major importing countries were investigated and reports were completed or substantially completed. While in substance they fall within this area, they form a part of the research commitment to AID and are reported in the area, Demand for Agricultural Exports of the Developing Countries.

A study was undertaken and reports prepared for FAS on the feed-livestock sectors of Germany, France, Italy and Japan. This involved a detailed survey of literature including all available statistical and research reports that were considered to be relevant. Emphasis was given to levels of feedstuffs utilization and changes in these over time, growth in the production of compound feeds and the consequences of these developments on the use of individual feed grains and oilseeds and other protein source feeds. In addition to the underlying relationships between the livestock industries and the demand for various feeds, attention was given to levels and temporal changes in levels of per capita consumption of meat and other livestock products, the effects of changes in incomes and product prices on consumption and to changes in the livestock product marketing systems.

A study is being conducted under contract with Michigan State University on the impact on U.S. trade of accession of the United Kingdom, Denmark and Ireland to the European Community. Supply and demand analyses were nearly completed for each country. These have produced supply response and demand coefficients necessary to evaluate the possible impact on production and consumption in three countries if and when they become members of the European Community. Concurrently with the aggregate time series analyses, work has proceeded on micro-analysis of production substitution possibilities on representative farms under price relationships likely to exist in the future. Earlier projections on supply-demand balances for present EC members are being updated. The component parts are being integrated to project supply-demand balances for an enlarged Community and to make an assessment of the implications for U.S. trade.

A contract research project with Japanese contractors has been initiated to study the modernization of food marketing in Japan, Japanese policies thereon, and the probable impact on U.S. farm exports to Japan.

C. Major Service-type Activities

In early FY-1970 a preliminary analysis was made of the consequences of U.K. accession to the European Community reviewing anticipated changes in U.K. farm policies, product prices, and food prices, and the implications for production, consumption, trade and the U.K. balance of payments. A paper was prepared for use by the Under Secretary in leading a discussion on this issue at a meeting of the Cabinet under secretaries.

An article entitled "Special Trade Arrangements" was written for the 1970 Year-book of Agriculture. It discusses regional economic blocs and other multi-lateral trade systems affecting U.S. agricultural trade.

Among additional service-type activities were preparation of memoranda on such diverse issues as (1) U.S. private capital in fruit and vegetable operations abroad, (2) market potentials for U.S. beef, calves and feed in Japan and Europe, and (3) the economic and political effects of agricultural export subsidies.

D. Future Plans

The work in this area will be expanded as resources permit and as sound planning and recruitment can be accomplished. The research program will be elaborated along present lines but will be planned and conducted to fit more systematically into a world-wide comparative advantage framework. Supply analyses will get increased attention in the form of studies of international competition and relative efficiencies of the U.S. and its competitors in producing agricultural commodities. Foreign country trade and agricultural policies and policies on agribusiness investment will be examined to evaluate their role in determining production, consumption and trade patterns.

Continuing attention will be given to research on developments in regional trade groups, particularly, the EC, and their effects on U.S. agricultural trade. The findings of the contract research project on the effects of possible United

Kingdom, Denmark and Ireland accession to the EC will be supplemented by comparable in-house research on developments in the present member states to maintain an up-to-date assessment of the consequences of Community expansion.

Additional attention will be given to the evolving positions of less developed countries as markets for agricultural products and as competing suppliers in international trade. Countries or areas that preliminary analysis suggests may be emerging as significant entities in purchasing or supplying agricultural products in world trade will be selected for more indepth study of their economic potential.

E. Publications

Berntson, Byron L., Goolsby, O. Halbert and Nohre, Carmen O., The European Community's Common Agricultural Policy -- Implications for U.S. Trade, FAER No. 55, Oct. 1969.

Kruer, George R. and Berntson, Byron L., "Cost of the Common Agricultural Policy," Foreign Agricultural Trade of the United States, Oct. 1969 (reprinted as ERS-Foreign 284, Oct. 1969).

F. Work Units

FDT 5-1-54-00	Export prices of major agricultural commodities entering world trade.
FDT 5-2-54-00	Potential meat and grain trade of the European Economic Community (EEC).
FDT 5-6-54-00	Effects of regional trade groups of countries on international trade.
FDT 5-7 C	Effects of changing trade systems in Latin America on U.S. agricultural trade. (Contract with University of Florida financed under FAS market development program.)
E40-FDT-3-3-XI	Impact of accession of selected countries to the European Economic Community on U.S. foreign trade. (Contract with Michigan State University financed under FAS market development program.)
A11-FDT-3-2-X1	Impact of Japan's changing food marketing system on U.S. farm exports. Phases A and B. (Contract with Nippon Research Center, Ltd., Tokyo, financed under FAS market development program.)
A11-FDT-3-2-X2	Impact of Japan's changing food marketing system on U.S. farm exports. Phase C. (Contract with Boston Consulting Group of Japan, K.K., Tokyo, financed under FAS market development program.)

IV. FOREIGN AGRICULTURAL DEVELOPMENT

A. Objectives

The work in this area is concerned with (1) the role of agriculture in economic development of low income countries, (2) the effects of economic development of foreign countries on agricultural trade, especially U.S. exports, (3) marketing systems in foreign countries that affect imports of farm products from the United States, and (4) effects of food aid on economic development of foreign countries.

Objectives of research on the role of agriculture are to determine the prospects and potentials for increasing the efficiency of world agricultural production, evaluate means and possibilities for meeting food needs by increasing agricultural productivity, develop criteria for identifying stages of economic development, determine the role of agriculture, and identify and measure agriculture's contributions to national economic growth.

Research on the effects of foreign economic growth on agricultural trade includes analysis of the changing demand for U.S. products and products of other suppliers in the world markets that occur with economic growth, and the competitive position of foreign producers in the U.S. market. Specific objectives are to determine effects of foreign growth and development on the volume and composition of international trade, to determine market potentials for U.S. farm products, to determine the competitive position of foreign and domestic areas supplying U.S. markets with particular commodities, and to determine implications of changing production and distribution patterns to producers.

Research on food aid is concerned with determining how food aid can be used effectively in accelerating economic growth and expanding international trade in agricultural products.

B. Progress

Research on the role of agriculture in economic development was conducted in conjunction with other research projects and work on special details and task forces.

Considerable work was done on the effects of foreign economic development on demand for U.S. farm products. Preliminary findings have been used within the Department. World import data were collected for selected agricultural products for the years 1955-1965 for 15 countries.

Research on the rapidly changing food marketing systems in Jamaica and the Bahamas, initiated in May 1969, was completed early in fiscal 1970. In both markets, prospects are favorable for substantial expansion of U.S. exports because of rapid economic growth, improvements in transportation services, and modernization of the national food marketing systems. Agricultural exports to the Bahamas continue to emphasize consumer products sold through American-owned supermarkets and hotels. U.S. agricultural exports to Jamaica, however, increasingly are basic commodities and semi-processed products because of

Jamaica's trade and development policies and growth of the domestic food and feed manufacturing industries. An important outcome of the studies was significant modification of FAS market development plans for the islands. The study showed that private industry needed no FAS assistance in the Bahamas and in Jamaica market development activity should be restricted to the tourist hotels. The study further provides the USDA and State Department valuable information and analysis valuable in negotiations with Jamaica on trade restrictions as well as valuable analyses of the structure, operation, and development of the Bahamian and Jamaican food marketing systems.

A more comprehensive analysis of the rapidly changing Benelux food marketing systems was initiated early in 1970. Field investigations were completed in May. FAS reaction to the research report, completed in October 1970, indicates that it is influencing FAS export market development program plans, in addition to providing information and analysis of Benelux market conditions and developments directly useful in FAS and food industry export operations.

The Director led a team of five USDA specialists in an agricultural sector analysis of South Vietnam. The group worked with the Government of South Vietnam and the Saigon AID Mission in developing an analysis of the long-range agricultural needs and alternatives for the economy. The study included the forestry and fishing industries. The team went to South Vietnam in February, and remained from two to five months. The final report had not been finished at the end of the fiscal year.

An analysis is underway of the effects upon farm demand for labor resulting from the introduction of high-response new varieties of grains and the "package" of improved technology essential to obtain good results. Data have been obtained from two areas, one where the new wheat varieties are becoming important and one where high-yield rice is being introduced. The preliminary hypothesis is that the demand for family labor may be increased considerably with lesser effects on hired labor requirements.

The Agency for International Development has adopted and implemented without alteration the detailed USDA research recommendations on ways to expand food grain production and to prevent starvation in four West African countries -- Mali, Niger, Senegal, and Upper Volta. Agreements to implement the recommended aid program have been negotiated with three of the four recipient governments and the Canadian Government has been persuaded to undertake the recommended assistance to Niger. A regional technical assistance team has been dispatched to West Africa. The heart of the production and hunger problem in the four countries was seen as lack of price incentives to farmers. This failing, in turn, came from the absence of even a rudimentary marketing and grain storage system. The U.S. and Canadian technical assistance teams will try to design and inaugurate simple grain marketing and stabilization systems in the four countries and to train West Africans to operate them. The limited financial cost is partly covered by shipments of 5,000 tons of grain under P.L. 480, Title II to each country in each of the next four years. It would be difficult to find research that has been more completely accepted and implemented by AID than this highly problem-oriented West African study.

C. Major Service-type Activities

Consultation with the AID Mission in Colombia and the agricultural and planning agencies of the Government of Colombia was undertaken as a part of the planning process for Colombian agriculture. Advice and aid was given in formulating a plan to accelerate agricultural progress and to broaden the participation of small farmers in modernization.

In South Korea, advice was given on research plans for studying income distribution within agriculture and between agriculture and the rest of the economy. The benefits of the sustained economic expansion of the past several years appear to have been narrowly distributed, with farmers and workers receiving little.

One Division member is serving on a team of four statisticians providing assistance to Colombia in the area of agricultural estimates and forecasts. This consists of periodic short-term assistance to the statistical agency for developing a complete system for gathering, analyzing and disseminating basic agricultural information. The assistance in the census of agriculture will provide a sampling frame for a survey to collect semiannual data. Non-probability surveys have been developed to provide forecasts and early estimates of agricultural production.

AID requested a combination of economic and social data and indicators in the agricultural field for LDC's, especially in Southeast Asia. These are intended to provide benchmark data, rough guides to accomplishment, and background for setting goals. Such data were supplied for a few countries to determine their usefulness as an aid to evaluation and policy formation.

Three professional employees worked with FAS for periods of six to eight months. Their work included the preparation and editing of a biweekly newsletter -- Export News Briefs -- showing agricultural exports by states in which the commodities were produced. Also, a directory of U.S. firms exporting agricultural products was compiled.

Two articles were prepared for the 1970 Yearbook of Agriculture. The titles were "U.S. Food Aid Programs" and "The Developing World: Problems Go Along with Opportunities."

D. Future Plans

Research to analyze changes in agricultural imports that occur in foreign countries with economic development will be continued. This analysis will be expanded to cover both imports from the world and from the United States. Changing composition of imports that take place with economic growth will be analyzed. Major attention will be given to exploring divergent trade patterns of the developing countries, based upon their resources and the relative success of development policies. In addition, the investigation is expected to move away from the highly aggregative to a more commodity specific analysis. Obtaining adequate trade and production data may be an obstacle.

Preliminary collection of data and analyses have begun on a comparative advantage study of the livestock-feed grain complex in world trade and production. Particular attention will be given to the supply side, complementing demand studies that have been made or are underway. One part of the project will be directly concerned with U.S. competition in feed grain markets and with sources of supply for livestock and livestock products. Another part will focus on the problems of developing countries that are now participating marginally in world markets but have plans to expand trade.

Studies of changes in marketing systems in both developed and less developed countries will be continued. In the case of developed countries, emphasis will be put on determining potential markets for U.S. products. In the developing countries, emphasis will be placed on evaluating the present marketing systems to determine ways of improving their efficiency so that their contribution to economic development can be increased.

Discussions are underway with FAS relative to financing of research in other European countries, including Denmark, Sweden, and West Germany in fiscal 1971. These discussions also are concerned with more precise development of the research frame of reference so that future research results will be more useful in FAS export market development plans and operations. ERS has proposed research in more than 20 major export markets, mainly in Europe.

Research on the impacts of food aid on economic development of foreign countries will be continued at the present level.

E. Publications

Wheeler, Richard G., Production and Export of Corn and Rice in Brazil -- Prospects for the 1970's, FAER No. 54, Sept. 1969.

Pritchard, Norris T., Huth, William P. and Havas, Nick, Prospects for U.S. Agricultural Exports to Jamaica, FAER No. 56, Dec. 1969.

Pritchard, Norris T., "A Framework for Analysis of Agricultural Marketing Systems in Developing Countries," Agricultural Economics Research, USDA, Vol. 21, No. 3, July 1969, pp. 78-85.

Pritchard, Norris T. and Havas, Nick, "U.S. Foods Top Bahamian Buying List," Foreign Agriculture, Sept. 22, 1969.

Pritchard, Norris T., Huth, William P. and Havas, Nick, "U.S. Farm Products in the Jamaican Market," Foreign Agriculture, Oct. 27, 1969.

Pritchard, Norris T., "Food Marketing and Economic Growth in OECD Countries," OECD Agricultural Review, No. 2, 1970.

F. Work Units

FDT 1-1-54-00	Analysis of the role of agriculture in foreign economic development and growth.
FDT 1-2-54-00	Analysis of ways of increasing farm productivity to meet world food needs.
FDT 1-3-54-00	Effects of foreign economic development on demand for U.S. farm products.
FDT 1-14-54-00	Improving agricultural marketing systems in developing countries.
FDT 2-1-54-00	Economic effects of P.L. 480 programs in recipient countries.
FDT 2-2-54-00	Food nutrient sources and prepared food products for foreign and domestic food distribution.
E25-DTA-1	Analysis and assessment of the economic effects of the P.L. 480 program in Spain.
E25-FDT-1	Analysis of effects of economic development in Spain on demand for United States agricultural products. (Contract with University of Maryland financed under FAS market development program.)

V. AGRICULTURAL PRODUCTIVITY IN DEVELOPING COUNTRIES

A. Objectives

Work in this area is being conducted under the research PASA with AID on "Factors Associated with Differences and Changes in Agricultural Production in Underdeveloped Countries."

Research on factors associated with differences in agricultural output in developing countries is concerned with estimating changes in agricultural output and productivity in developing countries and determining the relationships between technical, economic, and social factors affecting agricultural development in the low income countries. Separate studies deal with factors associated with changes in agricultural output and productivity in six countries -- Brazil, Colombia, India, Greece, Mexico and Nigeria. These studies measure changes in agricultural output, input, and productivity; determine major factors contributing to agricultural development; and determine the relationships between agricultural and national economic development. Other special projects augment the country studies by providing needed data and performing specific analyses.

B. Progress

A report summarizing agricultural progress in developing nations was completed and published. It analyzed the role of agriculture in the economic development of 54 countries and considered the problems to be resolved and the policies that are essential for improving agricultural output and productivity in the 1970's. Summaries of the detailed studies made for seven countries were included together with a comparative analysis of factors affecting growth in these countries.

For the countries as a group, agricultural output increased 2.8 percent during the two decades, about as rapidly as for the developed countries but only a little above the accelerated population growth of 2.5 percent annually. A faster gain in agricultural productivity is needed in the decade of the 70's if real incomes of farm people are to advance and agriculture is to make a significant contribution to the growth in national income. Crop yields per hectare increased about 1.5 percent annually, but production per farm worker rose only 1 percent annually.

The seven countries studied intensively all had difficulty in finding productive employment opportunities for increasing numbers of workers. Accelerated population growth was accompanied by extensive migration from farms to cities. Many similarities in agricultural problems in the various countries provoked similar strategies, but with varying emphasis and widely varying results. Taiwan and Greece achieved good agricultural progress with considerable planning and strong general development. Mexico had good but uneven agricultural progress, with irrigation playing a strategic role, and land reform and industrial development also important. Brazil increased agricultural output mainly by expanding the area in farms. Colombia's progress was made chiefly by relatively large farmers in commercial crops. India's broad agricultural development effort was frustrated by severe droughts for successive years, but has been effective in recent years with rapid introduction of high response grains, and nontraditional inputs.

The second (and final) part of the Colombian study was completed and sent to press. The Greece and the Brazil reports were in final form with editing nearly finished. Final revisions were being made in the Mexico report, prior to editing. The India report is to be published by India. The Taiwan report and the first part of the Colombian study had already been published by the Department, and the Nigerian special report mainly on land tenure has been published by the Land Tenure Research Center of the University of Wisconsin.

C. Major Service-type Activities

None associated with this area of work.

D. Future Plans

This research was conducted under a Participating Agency Service Agreement with the Agency for International Development, which (agreement) has been terminated.

E. Publications

Christensen, R.P.; Schaub, John R.; Myrick, D.C.; Witucki, Lawrence A.; Hertford, Reed; Atkinson, L. Jay; Herrmann, Louis F.; Hendrix, W.E.; and Huth, W.P., Economic Progress of Agriculture in Developing Nations 1950-68, FAER No. 59, May 1970.

Huth, W.P., Traditional Institutions and Land Tenure as Related to Agricultural Development Among the Ibo of Eastern Nigeria, Land Tenure Center Research Paper No. 36, University of Wisconsin, Aug. 1969.

F. Work Units

FDT 1-4-54-00	Factors associated with differences and changes in agricultural output in developing countries.
FDT 1-5-54-00	Factors associated with differences and changes in agricultural output and productivity in Greece.
FDT 1-7-69-FO	Factors associated with differences and changes in agricultural output and productivity in Mexico.
FDT 1-8-77-FO	Factors associated with differences and changes in agricultural output and productivity in Nigeria.
FDT 1-9-09-FO	Factors associated with differences and changes in agricultural output and productivity in Brazil.
FDT 1-10-46-FO	Factors associated with differences and changes in agricultural output and productivity in India.
FDT 1-11-22-FO-X1	Factors associated with differences and changes in agricultural output and productivity in Colombia.
FDT 1-13-54-00	International implications of foreign competition in winter fruits and vegetables.

VI. DEMAND FOR AGRICULTURAL EXPORTS OF DEVELOPING COUNTRIES

The Foreign Development and Trade Division and the Foreign Regional Analysis Division are jointly carrying out research in this area under a research PASA with the Agency for International Development.

A. Objectives

The objectives of this research are to estimate immediate and long-term world demand prospects for agricultural exports of the less developed countries. The research involves historical and statistical analysis of major determinants of

domestic demand, supply, and import demand of importing countries in different trading areas or regions of the world. Projections of import demand for selected agricultural products are being made based on these historical relationships under alternative trade policies. These projections of import demand, together with projected export supplies, will be used for evaluating trade policies on potential export earnings of less developed nations.

Studies are being made for the following commodities or commodity groups: coffee, cocoa, tea, bananas, oilseeds, rice, wheat, feed grains, and cotton. These studies include analyses of production, consumption, price, and world trade patterns for the period 1951-65. Comprehensive analyses are being made to estimate import demand for 1980. Estimates of production and export supplies will be confined to projections based on current country development plans, Indicative World Plan of FAO, and other available information.

The Foreign Development and Trade Division has primary responsibility for the historical analysis of trade flows of selected agricultural commodities and the demand analyses for coffee, cocoa, tea, feed grains, and bananas. The Foreign Regional Analysis Division has primary responsibility for data on production of all selected commodities, data, and projections to 1980 on population and indication of income, and the demand analyses for wheat, rice, cotton, and oilseeds and products. The historical analyses of production and consumption are being combined with the demand analyses for each commodity. The analysis of the policy implications of demand prospects on trade and export earnings will be done jointly.

B. Progress

The research plan is divided into three phases:

1. Phase A. A historical analysis of agricultural exports of less developed countries from 1951-65.
2. Phase B. A detailed analysis of demand in importing countries for selected agricultural commodities exported by the less developed countries.
3. Phase C. An analysis of the policy implications of the estimates of world demand prospects for national agricultural development plans and programs in the less developed countries.

The research under Phase A, analyses of changes in trade flows of selected agricultural commodities and development of population and overall economic factors for the period 1951-65, has been completed. Five separate volumes showing world trade patterns for a large number of agricultural products by countries or regions of origin and destination annually from 1951 through 1965 have been published. These reports have been used by the State Department in preparing a United States position paper for the recent UNCTAD Conference. Requests for copies of these trade data have been made by a special UNCTAD committee set up to study the trade and development problems of the less developed countries by the Food and Agriculture Organization of the United Nations, and by the Foreign Agricultural Service for each of its embassy representatives.

Initially, it was planned to develop the world trade data as working materials for limited distribution and use by ERS and AID. However, request for the use of these data indicated that they should be published for wider distribution. This required more time than was originally allocated to Phase A of the project, thus delaying the initiation of Phase B as originally scheduled. In view of the many requests that have been received from universities, private research corporations, national and international government agencies as well as various AID missions, the decision to publish these data has been fully justified.

Work on the project during the year was concentrated on efforts to complete the commodity demand analyses under Phase B and prepare a summary report under Phase C. Demand analyses and projections were completed and published for wheat and feed grains, while analyses and projections were completed in manuscript form for rice, cotton, total grains, oilseeds and products, bananas, coffee, cocoa and tea. The results of these studies will be published next year.

The results of world demand prospects for agricultural exports of less developed countries in 1980 under different economic and trade policy conditions, analyzed under Phase C of the project, were published during the year and distributed at the World Food Congress, The Hague, Netherlands, June 1970.

Value of exports in the LDC's for these products is projected to reach a level of \$10.7 billion in 1980, indicating an annual growth rate of 2 percent from the 1964-66 base period. At the same time, the projected value of imports for the same commodities -- \$6.7 billion -- represents an increase of 3 percent a year. Thus, the projected net trade balance for the LDC's in these commodities is less favorable, since the growth in their import costs would exceed their growth in export earnings.

General implications that can be drawn from the specific commodity projections are:

Supplies of most crops and fibers appear likely to exceed demand at current prices. Prices are likely to decline, therefore, unless major producers adjust production.

Much of the increase in production of food and fiber in the LDC's would be absorbed by increases in domestic consumption.

The demand for agricultural imports by the LDC's may increase rapidly, particularly for commodities which they do not produce. The LDC's could account for an increasing share of world agricultural imports.

Increased LDC imports would in part be contingent on concessional sales of foods, feeds, and fibers.

Export earnings for commodities supplied only or principally by LDC's -- such as tropical fruits and beverages -- are expected to rise with projected income growth in importing countries under continuation of current price and export policies. If exports were increased relative to growth

in demand, prices and export earnings would be reduced. Reduced exports relative to growth in demand, might raise prices and export earnings, but consumption of substitutes might rise, weakening the prospects for gains in earnings.

Less developed countries' earnings prospects for commodities supplied by both LDC and developed exporters can be drastically affected by the policies of the latter. One strategy for LDC's would be to increase exports to the point that major developed exporters might find it expedient to accomodate, possibly through some cooperative international effort.

LDC's may find it difficult to achieve a consensus on trade policy, since the less developed area includes both importers and exporters. Lower world prices benefiting importers would adversely affect exporters, and higher world prices benefiting exporters would adversely affect importers.

The significance of this study is that, faced with increasing requirements for foreign exchange, less developed countries are individually placing high emphasis upon promotion of export crops. Inasmuch as these crops are in the main sold in the developed countries, it is anticipated that their aggregate demand is inelastic. In consequence, to the extent that the less developed countries collectively produce a larger aggregate of these crops, total foreign exchange revenues may be diminished rather than increased. However, for some commodities and in certain countries (such as Japan), the elasticities may be relatively high. Trade among the less developed countries themselves may benefit from capitalizing upon comparative advantages.

In support of the commodity demand analysis, a study was made of both tariff and non-tariff barriers maintained by 18 developed countries against imports of rice, wheat, feed grains, peanuts, soybeans, cottonseed, copra, palm kernels, castor beans, crude vegetable oils, fresh citrus fruits, bananas, coffee, tea, cocoa, and cotton. The results of this study have been prepared in manuscript form for internal review and will be published next year.

C. Major Service-type Activities

None associated with this area of work.

D. Future Plans

It is anticipated that the remaining commodity demand studies, including the study on tariff barriers will be published during 1971. No work is anticipated beyond June 30, 1971, under the present project. However, research relating to export demand for agricultural products will be continued under other areas of work.

E. Publications

Rojko, Anthony S. and Mackie, Arthur B., World Demand Prospects for Agricultural Exports of Less Developed Countries in 1980, FAER No. 60, June 1970.

F. Work Units

FDT 1-12-54-00

Demand prospects for agricultural exports of less developed countries.

VII. P.L. 480 RESEARCH GRANTS

A. Objectives

The general objective of the P.L. 480 grant research contracts with institutions in foreign countries is to conduct research and support scientific activities overseas which include promotion and support of scientific research, according to the Food-for-Peace Act of 1966, Title I, Sec. 104, (b) (3).

The ERS objectives are, within this context as modified by congressional attitudes, to supplement regular ERS research appraising the competitive position of U.S. farm products in foreign markets, provide economic intelligence applicable to U.S. farm problems, and develop improved research methodology useful in U.S. agricultural economics research. While serving interests of U.S. agriculture is the dominant objective, subsidiary ones include sector and national development, particularly in relation to U.S. and other external assistance, contributions to general economic intelligence and understanding of developing countries, and development of interest and competence in economic research.

B. Progress

The following table summarizes activities by countries in FY-1970, according to ERS records. These differ from CRIS largely because that system often does not start projects as early as ERS and differs in other details. On the other hand, the International Programs Division of ARS (IPD/ARS) closes projects before ERS does -- after final payment which is sometimes made before the final report is received and accepted. Changes in "start" dates will also make this record different from that reported last year.

Values of total grants cover the duration of the projects, which vary from 18 months to 5 years, and average less than 4.

Three projects were started in FY-1970, one project each for India, Pakistan and Yugoslavia. Two were completed, one in India, the other in Finland. The final reports on these are: Structure and Behaviour of Prices of Foodgrains, New Delhi, and Comparative Advantage or Disadvantage of Land Clearing, Finland. The final reports of both were delivered in mimeograph form to meet the terms of the contracts.

Final reports for the projects in Spain continue to be long overdue, although they were amended earlier to extend their durations. These projects have evolved into much extended programs, with expanded objectives and staffing, financed by the Government of Spain. These projects have started agricultural

Economic Research Service P.L. 480 foreign grant research contracts

Country	Active <u>1/</u>				Projects started FY-1970	Projects completed FY-1970	Pending projects approved by ERS
	July 1, 1969		June 30, 1970				
	Projects	Total grant	Projects	Total grant			
	Number	Dollars	Number	Dollars			
India	3	163,111	3	132,557	1	1	6
Israel	3	311,818	3	311,818	0	0	8
Pakistan ...	3	197,860	4	233,125	1	0	4
Spain	2	35,045	2	35,045	0	0	0
Yugoslavia .	0	---	1	59,412	1	0	5
Finland	1	57,452	0	---	0	1	0
Total	12	765,286	13	771,957	3	2	23

1/ Titles appear in Section F. Work Units.

economics research in Spain. They had reached their original objectives and appropriate cut-off points for reports in FY-1969, and final reports were promised in October, but as yet have not been received.

Among project amendments, extensions of time without additional fundings, are most common. The limit is five years, and no extensions can exceed that limit, but projects planned for less time can be extended. Projects have frequently been activated for three years with the entire time allocated for data collection. Present ERS policy prescribes that plans of work shall provide six months lead time before data collection starts for staffing and equipping, pre-testing schedules, and developing research concepts, and one year at the end for analysis and reporting, except in unusual circumstances such as the census pre-test in Pakistan.

ERS reviews economics research proposals, and can approve, reject, or suggest modifications that will lead to approvable proposals. Proposals are routed to appropriate divisions for review and sponsorship.

The sponsoring scientist is the key individual in the operation of a research project. Prior to negotiations of a grant, he is an adviser to ARS, through the Foreign Programs Group (FPG). After, and only after, a project is negotiated is he identified to the principal investigator. Then direct contact should be established, with the basic objective of resolving technical problems as the

research progresses. Administrative problems raised must be referred to IPD/ARS, appropriately with recommendations. The Foreign Programs Group is not aware of extensive contact between sponsoring scientists and the foreign researchers, although copies of correspondence should be made available.

Priorities continually present problems. Since more projects are approved than can be financed, FPG must select the first to be negotiated when funding is available.

The Division functions on behalf of ERS in providing technical support for economics research in this program. About one-third the time of one professional, half-time of a clerk-stenographer, plus supervisory review are required to carry out the responsibility. ERS is performing this function for SRS in the pre-test of the Pakistan census of agriculture, with the sponsoring scientist from that agency. Also, at the suggestions of IPD/ARS, one proposal each in areas where the sponsoring scientist will be from FES and FCS are being handled by ERS.

C. Major Service-type Activities

All of the work discussed above is essentially service activity.

D. Future Plans

The number of pending projects which have been approved by ERS for negotiation stands at 15 projects in India, Pakistan and Yugoslavia. Three of these have been negotiated and will become active during FY-1971. Four others will be negotiated in FY-1971, some of which will become active during the fiscal year. Ceylon has two pending projects which have not as yet been approved, but which are expected to be negotiated and become active during FY-1971.

Funding for P.L. 480 research grants has been low during FY-1970, but is expected to increase during both FY-1971 and 1972.

Two trips have been proposed and approved for FY-1971. Dr. James H. Copp, sponsoring scientist for two projects, will review several projects in Israel, India and Pakistan, and C. John Fliginger will review projects in India, Pakistan and Yugoslavia. These will be separate trips and will cover different projects, enabling ERS to review virtually all of the active projects it is sponsoring. They will also work with the development of pending projects as well as new ones.

E. Publications

Structure and Behaviour of Prices of Foodgrains, National Council of Applied Economic Research, New Delhi, 1969.

Comparative Advantage or Disadvantage of Land Clearing, Finland

F. Work Units

A7-ERS-9	Changing farm production and organization in the developing agriculture of Western India.
A7-ERS-14	The structure and behavior of farm prices in India.
A7-ERS-25	Economic relationships between dairying and crop production in some of the developing rural parts of India.
A7-ERS-33	Marketing wheat in Rajasthan, India.
A10-ERS-10	Comprehensive programming of regional economic development, Israel.
A10-ERS-12	Empirical analysis of problems related to growth of the agricultural sector, Israel.
A10-ERS-17	Comparative analysis of processes of agricultural development in selected countries, Israel.
A17-ERS-3	Economics of groundwater development and use in Punjab, West Pakistan.
A17-ERS-4	Marketing margins and seasonal price variation of agricultural commodities in West Pakistan.
A17-ERS-5	The impact of technological changes on per unit cost and return in agriculture in West Pakistan.
A17-ERS-6	Pre-tests for 1970 census of agriculture in Pakistan.
E25-ERS-2	Programming for dryland agriculture in the Duero Valley, Spain.
E25-ERS-3	A forecast of agricultural development in the irrigated areas of Spain.
E8-ERS-2	Study on the economic use of alternative uses of land for agriculture and forestry, Finland.
E30-ERS-5	Diversified and specialized production on individual farms, Yugoslavia.

VIII. FOREIGN TRAINING AND TECHNICAL ASSISTANCE

ERS participates in supporting AID and other programs designed to improve the technical competence of foreign countries in agricultural economics and statistics in two different but related ways. The first is training programs for individuals and groups, usually in the U.S. The second is through sending

ERS specialists to foreign countries to provide technical assistance in carrying out analyses of agricultural development problems in cooperation with economists and officials of various government agencies and educational and research institutions, and with AID missions located abroad.

Foreign Training

A. Objectives

The objective of the training program for cooperating country participants is to increase the participants' technical and administrative skills. Specific manpower requirements of developing countries are the basis for training programs which are designed to develop skills that will contribute to economic and social development of the participants' countries.

Training sponsored by the U.S. Government is conducted in the United States and in cooperating countries, and takes many forms. Types of training include specialized short courses, academic training, on-the-job training both in the U.S. and in the cooperating country. Teachers and specialists are also sent to these countries to help develop human resources such as teachers, administrators, researchers, and technicians as well as responsive, viable institutions which will contribute to agricultural development.

The Economic Research Service participates in the training process to increase the understanding of foreign participants, such as policy-making officials, agriculture administrators, and other agricultural leaders of the role agricultural economics and statistics play in development. For the agricultural technician, middle-level administrators, and others responsible for implementing agricultural programs, the training is intended to offer new ideas, techniques, and skills which will help them to design and administer agricultural programs more effectively.

Training techniques used include group orientation in U.S. agriculture, individual conferences with USDA specialists, short courses, group programs including field tours, and participation in selection of a university for degree or non-degree study in agricultural economics including statistics. The techniques selected are those that will enable the foreign trainee to go home, participate in development programs, teach others, and to complement other technical assistance inputs.

B. Progress

To meet the specific manpower development requirements of cooperating nations, ERS has participated in programming training for agricultural economics and agricultural statistics participants in the following ways:

1. Academic study programs.
2. Consultation with ERS/SRS professionals in Washington and at field locations.

3. Special courses.
4. On-the-job training.
5. Orientation in U.S. agriculture.

The accompanying tables show ERS training activities for foreign participants.

During FY-1970, two participants continued on-the-job training in agricultural statistics. One participant was from Argentina and the other was from Ghana.

Special courses offered, FY-1970

Field	Course title	Participants
	<u>Title</u>	<u>Number</u>
Agricultural economics	Short Course No. 6, "Economics of Agricultural Production and Resource Use" (FY-1969/70)	9
Agricultural economics	Short Course No. 6, "Economics of Agricultural Production and Resource Use" (FY-1970/71)	11
Agricultural economics	Short Course No. 10, "Marketing of Agricultural Products"	7
Agricultural statistics	Short Course No. 7, "Agricultural Estimating and Statistical Services" (FY-1969/70)	9
Agricultural statistics	Short Course No. 7, "Agricultural Estimating and Statistical Services" (FY-1970/71)	13
Agricultural statistics	Short Course No. 54, "Basic Statistics with Emphasis on Agricultural Statistics" (FY-1969/70)	7
Agricultural statistics	Short Course No. 54, "Basic Statistics with Emphasis on Agricultural Statistics" (FY-1970/71)	11

ERS foreign participant/trainees, FY-1970

Subject	: Programs :	Participants			Participant sponsors			
		: Primary :	: Secondary :	: Total :	: AID :	: FAO/UN :	: Other :	
----- <u>Number</u> -----								
Agricultural economics ...	: 125	: 580	: 9	: 589	: 129	: 8	: 452	:
Agricultural statistics ..	: 64	: 77	: 118	: 195	: 118	: 50	: 27	:
	: :	: :	: :	: :	: :	: :	: :	:

C. Major Service-type Activities

All of the work discussed above is essentially service activity.

D. Future Plans

It is anticipated that the ERS will be called on to assist in meeting a training need for FY-1971 that will be about the level of that performed during FY-1970. Workload for the first quarter of FY-1971 has been approximately the same for number of participants receiving training. Budgetary support for the level of training requests is a continuing problem.

Future plans include an evaluation of the effectiveness of training supplied during the past five to ten years in agricultural economics. Such a research project would be based on a case study of former participant/trainees to identify their involvement in economic development in agricultural economics, to measure the multiplier effect of their training; and to develop a program to secure a multiplier effect. Funding for a five-year research period is expected to be the major problem.

Technical Assistance

A. Objectives

The USDA objective in participating with AID in building the human and institutional resources essential to sustained national growth of the developing countries through technical assistance is to make available the resources of the Department in planning, executing, and evaluating those portions of the foreign assistance program in which it has special competence.

The Economic Research Service has a vast reservoir of training, skills, experience and resources to help in agricultural development and a keen understanding that agricultural development in the less developed nations is an

essential step both toward improving the nutrition and toward the vigorous economic activity such countries must have to become commercial customers in the world market.

The ERS objective is to participate in those activities that parallel its own position in the U.S. Government, conducting research and analyses relative to problems in the agricultural sector and bringing the results to bear on policy, programs and institution building. ERS economists assigned to these activities work with ministries of agriculture and major agencies within the ministries or associated with the agricultural program at the national level, and also provide general support to the AID missions. In performing these functions, the long-term objective is to develop people and institutions competent to carry on these functions without external assistance through working with and supporting the activities of staff. In this way, they complement the training program discussed previously.

ERS also supports the AID program objectives through a broad spectrum of Washington-based activities, generally under the heading of Technical Consultation and Support to AID. This includes consultation in planning technical assistance, assisting in recruiting for direct hire, reviewing country program proposals, loan documents, and other material, providing technical information, and a broad spectrum of services dependent upon ERS knowledge and experience. Such services are at times provided for international agencies, and private and public institutions that are providing contractual services to AID. Through these means, services are frequently rendered directly to individual developing countries from ERS in Washington.

B. Progress

During FY-1970, the ERS responded to all requests for technical assistance to cooperating countries through inputs of (1) two-year assignments of agricultural economists abroad, AID-sponsored; (2) short-term assignments of agricultural economists abroad, AID-sponsored; and (3) short-term assignments of agricultural economists abroad, other than AID-sponsored. Thirteen ERS economists served on long-term USDA team assignments in seven different countries located in Latin America (9), Africa (3), and Asia (1) and provided technical assistance in planning (6), marketing (2), production (2), land tenure (1), statistics (1), and research and analysis (1).

AID-sponsored short-term professional technical assistance was provided to nine countries or regions by 21 ERS economists in work areas of planning (11), production (5), agricultural policy (3), statistics (1), and marketing (1). The services were provided in Asia (11), Latin America (7), Africa (2), and Middle East (1).

Ten ERS economists provided short-term consultative services through sponsors other than AID to five countries in Latin America and three regions world-wide. Technical assistance was provided in trade (1), planning (6), research and analysis (2), and land resources (1).

The accompanying tables show ERS participation in foreign technical assistance activities in FY-1970.

In all, 44 ERS agricultural economists made an overseas contribution in technical assistance to cooperating countries. At least three man-years of Washington-based ERS professionals, administrative and clerical time was used to support the technical assistance activity.

Number of ERS staff members who worked abroad on technical assistance projects sponsored by AID, FY-1970

Country	Total	Work area						Agricultural policy
		Statistics	Marketing	Planning	Land tenure	Production	Research and analysis	
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/>								
<hr/> </								

Number of ERS staff members who worked abroad on short-term assignments not sponsored by AID, FY-1970

Country or Region	Total	Work area			Sponsor
		Planning	Trade and statistics	Research and analysis	
<hr/>					
	<hr/> ----- <u>Number</u> ----- <hr/>				
<u>Country</u>					
Brazil	1	1			IBRD
Colombia ...	1	1			Ford Foundation and GOC
Dominican Republic .	1	1			IBRD
El Salvador	2	2			Private Consulting Firm
Guatemala ..	1				1 Private Consulting Firm
<u>Region</u>					
World-wide .	1	1			UN-FAO
East Africa	1		1		Econ. Comm. for Africa, UN
Southeast Asia	2			2	
Total	10	6	1	2	1

C. Major Service-type Activities

All of the work discussed above is essentially service activity.

D. Future Plans

It is anticipated that requests for technical assistance in agricultural economics will be similar to the workload handled during FY-1970 with an anticipated increase in short-term consultative technical assistance, including support of individual projects through repeat visits by the consultant. A slight decrease is anticipated in long-term resident assignments.

NATIONAL AGRICULTURAL LIBRARY



1022467403

* NATIONAL AGRICULTURAL LIBRARY



1022467403